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Classified By: Ambassador Ryan C. Crocker for reasons 1.4(b) and (d).

¶11. (SBU) Beginning with the GOI's Anti-Corruption Conference in January there have been a number of newsworthy events on the anti-corruption front so far in 2008. The January Conference was followed by a UN Office of Drugs and Crime meeting in mid-March timed to coincide with the signing and ratification of the UN Convention on Anti-Corruption (UNCAC) by the GOI. The Embassy's new Anti-Corruption Coordinator (ACC), Ambassador Lawrence Benedict, arrived in Baghdad at the end of March. The Anti-Corruption Coordination Office (ACCO) has completed a new Anti-Corruption Strategy (see below) and the ACC has met with all of the key GOI officials dealing with this issue and begun to discuss several new initiatives to fight corruption. He has also met with the UNDP, the OECD and other bilateral and multilateral donors. The GOI has identified a counterpart for the ACC, Dr. Ali Ala, aq who is also Chairman of the GOI's Joint Anti-Corruption Commission (JACC).

¶12. (SBU) The JACC, which was created at the Embassy's urging in May of 2007, is functioning as intended after difficult birth pangs. It is meeting regularly to coordinate the activities of the GOI's three anti-corruption enforcement agencies, the Board of Supreme Audit (BSA), the Commission on Integrity (COI) and the Inspectors General. There has been a marked improvement in coordination over the past several months. For example, the COI and the IGs reached agreement on their respective roles in anti-corruption investigations. We have also been encouraged by the firm leadership of the new head of the Commission on Integrity (COI), Judge Rahim, and the fact that the COI is actively engaged in investigations after a long hiatus in the wake of the sudden departure of the former head Judge Radhi.

¶13. (C) For all this positive movement, at the top levels of the Government we have the right words but not much action. It is now time (past time?) to put the words into action. The ACC plans to meet with Ali Ala, aq next week to present a list of actions the GOI can undertake to implement the 18 point program published in January. The UNODC is holding a meeting in early June to assess the GOI's progress in implementing the UNCAC. The International Compact for Iraq Ministerial meeting in Stockholm will also present the international community with an opportunity to press the GOI to act against corruption. The USG and the bilateral and multilateral international community must keep the pressure on the GOI to take action. There is no time to waste if progress is going to be made on this issue in 2008, "the year of anti-corruption" in Prime Minister Maliki's words.

¶14. (SBU) The text of the Embassy's Anti-Corruption Strategy follows:

Corruption in Iraq did not begin with post-invasion chaos and insecurity in 2003 nor did it begin with Saddam Hussein's dictatorship. Some forms of corruption are a part of the fabric of Iraq's tribal society and its culture. Iraqis have been contending with corruption for centuries and in some ways have come to accept it as part of their daily lives. The Iraqi perception of corruption is different from our own.

For Iraqis, connections to a politician can be exceptionally important, even life-saving. Here political power means patronage, protection, jobs and many other benefits, especially for family, friends, members of the tribe and others with the right connections. Political power means the ability to deliver these benefits. The politician who will not or cannot deliver is seen as ineffective. Often, to our eyes, actions by politicians to fulfill these expectations are corrupt acts but not necessarily so to Iraqis. The approach to this form of corruption has to be different because it involves changes in the society and culture and these changes can only occur gradually, over time.

On the other hand, while many Iraqis expect government officials to be corrupt and opaque processes are accepted as the norm, they do not find this acceptable. Officials who solicit and accept bribes, skim money from government contracts and steal official funds are no surprise but they are not acceptable. The honest official is the exception. Nevertheless, there is public and nascent political support for attacking corruption of this type.

By any measure the corruption problem is bad and not getting better. It infects every aspect of life in Iraq and hinders economic development and reconciliation efforts among many

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other things. Corruption funds, at least in part, insurgents, militias and terrorists, thus, costing American and (many more) Iraqi lives. It undermines the credibility of the Government both domestically and in the international community as well as our own credibility because of our perceived close ties with the Government. Corruption in Iraq is a problem of the greatest magnitude, threatening to destabilize Iraq's fledgling democracy, stifle its economic development and render moot the gains in security being made on the ground. Both Iraqi and American leaders have labeled corruption the "second insurgency".

The Council of Representatives (COR) is considering legislation that will provide for elected provincial governments. If this legislation passes in May as is now expected, Provincial elections will be held in September. While we expect that these elections, over time, will aid in the fight against corruption, this new cohort of elected provincial officials will initially present new and difficult challenges from an anti-corruption perspective.

In order to gain the confidence of the Iraqi people and the international community, the Government of Iraq (GOI) must credibly demonstrate its ability and willingness to combat corruption. The GOI will require outside assistance to develop the capabilities, husband the resources and create the systemic defenses necessary to effectively fight corruption. This strategy is the first step in restructuring USG anti-corruption (AC) efforts to prevent overlap and focus efforts on agreed upon areas to supplement and support Iraq's fight against corruption and to generate the support and commitment of all interested parties -- U.S., Coalition and Iraqi in Baghdad, interested Washington agencies and the international community -- to combat this threat.

This strategy has the following objectives:

II. Coordinate USG anti-corruption activities and those of the international community.

II. Strengthen the capacity and the will of the GOI to bring to justice those who engage in corruption.

III. Assist the GOI to create and implement transparent systems and procedures, especially in procurement and contracting.

IV. Build the capacity of Iraqi officials to carry out their responsibilities efficiently and effectively.

IV. Build public support for anti-corruption activities and awareness of the damage it causes.

USG efforts in Iraq focus on the following key elements:

--Coordination of AC efforts amongst USG agencies, including the allocation of foreign assistance funding for AC programs;

--Advocacy for and assistance in designing and implementing economic reforms and the transparent systems and procedures necessary to provide effective oversight and safeguards against corruption;

--Diplomatic engagement to build political support for AC initiatives and the legislation necessary for effective investigation, prosecution and prevention of corrupt activities including the elimination of laws and regulations that inhibit the investigation and prosecution of corrupt activities;

--Capacity development both within Iraq's AC institutions and, more broadly, across the GOI;

--Advocacy for the inclusion of a well designed anti-corruption block in the standard curriculum for primary and secondary schools.

--Initiatives, public and private to create and nurture an anti-corruption bias in the Iraqi people, with particular focus on civil society and private organizations.

--Coordination with international donors and Coalition partners.

Addressing each of these elements and reinforcing the concepts of accountability and transparency is essential to supporting Iraq's struggle against corruption. Accordingly, AC themes should be a part of all USG engagements with the GOI and the Iraqi people.

Coordination of USG AC Efforts and Programs

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More than a dozen U.S. Mission elements in Baghdad are engaged in some aspect of AC policy and programming. To ensure appropriate coordination of these efforts, a senior diplomat has been assigned to lead the Embassy's anti-corruption initiatives. The Embassy has also created an Anti-Corruption Coordination Office (ACCO) to support the Coordinator's work.

Recommendations

--By June 2008, the ACCO will be fully staffed, including Senior Advisors for each of the Iraq's major AC institutions. Action: State Department

--Under the guidance of the Ambassador and Deputy Chief of Mission, the Coordinator will plan, manage and coordinate all USG anti-corruption programs. Action: ACCO

--All COM agencies and personnel engaged in AC-activities will report regularly on those efforts to the Coordinator. Action: COM, ACCO

--The Coordinator (or his/her designee) will chair the AC Working Group, which will meet monthly. Action: ACCO

--The Coordinator will establish direct channels to MNF-I elements to increase coordination and information exchanges on AC programs and issues. Action: ACCO

--The Coordinator will approve, monitor and evaluate implementation of AC programs to ensure that they support the policy goals set forth in the Mission's AC Strategy. The AC Strategy will be designed to reflect the January 2008 GOI AC Conference, the International Compact with Iraq, the Embassy Baghdad - MNF-I Joint Campaign Plan, and the Embassy's Mission Strategic Plan. Action: ACCO, ACWG, JSPA

--The Coordinator's staff, in cooperation with ACWG participants, will maintain a catalog of all current USG AC programs and engagements. The Coordinator will review these efforts regularly, recommending adjustments as necessary. Action: ACCO, ACWG

Coordination with International Organizations and Coalition Partners

International partners are increasingly stepping forward to assist Iraq in its fight against corruption. The European Union has indicated that it will incorporate AC-related programs in its Euro 20 million rule of law program in 2008. UNDP has already begun to design professional development training seminars for BSA, the IIGs and CoI. UNDP hosted an AC conference in Baghdad in March 2008 highlighting a number of resources from the international community that the GOI drawn upon to help combat corruption in Iraq. Over the past 18 months the World Bank has sponsored several training seminars on internal audit procedures throughout the region for BSA staff, training that will continue through 2008.

Recommendation

--The Coordinator and ACCO staff should meet regularly with representatives of international partners resident in Baghdad (e.g., World Bank, EU, OECD, UN and other diplomatic missions) to exchange information and coordinate AC activities. Action: ACCO, ACWG

--Facilitate GOI outreach to international partners (bilateral diplomatic missions, UNAMI and other UN agencies, World Bank, OECD, NGOs, etc.) willing to support Iraqi AC initiatives. Action: ACCO, ECON, POL, TREAS, USAID

--Help GOI AC institutions align their needs with resources available through the international community and Coalition partners. Action: ACCO, ECON

Systemic Economic Reform

Iraq's endemic corruption is aided and abetted by opaque systems and procedures, contradictory laws and regulations, weak governance and poor management. USG programs should focus on improvements and much greater transparency in all of these areas aimed at reducing the opportunities for corruption. Capacity and resource limitations, oftentimes coupled with a lack of buy in from senior level officials, in most Iraqi ministries and agencies heighten the government's vulnerability to corruption. Identifying appropriate systemic interventions and procedural safeguards will be critical to defending Iraq's public resources and promoting efficient and transparent governance.

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Recommendations

--Work with the COR and the spending Ministries to develop legislation and regulations that increase transparency and

reduce the opportunities for corruption. Action: POL, ECON, AID, TREAS

--Reduce the black market for fuel by encouraging GOI to continue to bring fuel prices to parity with neighbors and discouraging barter transactions for petroleum products. Action: ECON, TREAS

--Assist the GOI in standardizing and making more transparent the tender and procurement process for all spending ministries. Action: USAID, ECON, USACE, ITAO

--Assist the GOI in improving governance in and management of the Public Distribution System. Action: ECON, USAID

--Work with the GOI to install functioning oil meters and automated accounting systems at all critical production and distribution points within Iraq. Action: ITAO, ECON, USACE

--Complete the installation, and implementation of a financial management information system (FMIS). Action: USAID, Treasury, ECON

--Assist the GOI in developing a standardized professional civil service system to encourage merit based hiring practices, including an improved financial disclosure system. Action: ECON, USAID

--Encourage laws and regulations that bring transparency to the distribution of revenues from Iraq's natural resources. Action: ECON

--Assist GOI with in its efforts to increase private sector development, offering more Iraqis sustainable legitimate employment options thus reducing the dependency on political leaders. Action: ECON, USAID, Commerce

Diplomatic Engagement

Change begins with leadership. Without a genuine commitment from the highest levels of the GOI to combat corruption in Iraq little progress will be made. The USG must engage Iraqi officials on every level -- from the Prime Minister to local mayors -- on confronting corruption by ensuring accountability and transparency in the execution of their duties. Political leaders and public servants must comply with financial disclosure requirements; administrators must not indulge in or tolerate corrupt practices or private enrichment. All public officials -- regardless of rank, sect, or political affiliation -- should be held accountable for violations of Iraqi law and the public's trust.

Recommendations

--Vigorously press senior GOI leaders to act decisively against public officials engaged in corrupt activities and to be proactive in seeking ways to improve regulations, procedures and governance. Action: COM, CETI, ECON, POL, POL-MIL, ACCO

--Incorporate talking points on the importance of transparency and accountability into all engagements with senior GOI officials. Action: COM, all Embassy offices

--Assist GOI as it develops new legislation to enhance the government's ability to identify, investigate, prosecute and prevent public corruption. Action: POL, ECON, ROLC, ACCO, ITAO

--In conjunction with the UN and other signatories keep up the pressure on the GOI to carry out its commitments under the UN Convention Against Corruption (UNCAC). Action: COM, ACCO, ECON, POL

--Press for Joint Anti-Corruption Committee (JACC) to invite U.S. and other diplomatic representatives to observe regular coordination meetings between Iraq's AC agencies (BSA, COI, IIGs, HJC, PMO). Action: ACCO, ROLC, POL

--Identify and engage Iraqi AC advocates at the national, provincial and local levels of government. Action: POL, ECON, OPA

Engaging AC Institutions

Iraq has three key AC institutions; the Board of Supreme

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Audit (BSA), the Commission on Integrity (CoI), and the Inspectors General (IGs). These three institutions, along with the Higher Judicial Council (HJC) constitute the core of Iraq's AC efforts. The BSA was founded in 1927; CoI, the IIGs and HJC were created by the Coalition Provisional Authority. The BSA is the most widely respected of these agencies. Each of these institutions have faced challenges developing human capital, establishing clear lines of responsibility, establishing cooperative relationships with sister AC agencies and protecting themselves from political manipulation and intimidation in Iraq's volatile political and security environment.

Recommendations

--Find new avenues for USG engagement with BSA, including expanded capacity development programs. Action: ACCO, USAID, Treasury, GAO

--Support the GOI initiative to delineate the respective roles and responsibilities of the AC institutions. Action: ACCO, POL, ROLC

--Encourage the BSA and IGs to publish audit reports, develop follow-up mechanisms to ensure remedial actions are carried out. Action: ACCO, TREAS, ECON

--Press CoI leadership and UNDP to conduct a comprehensive assessment of CoI capacity-building and institutional development needs, in order to determine the proper allocation of assistance to core CoI functions (investigations, public disclosure and public education). Action: ACCO, INL, DOJ, USAID

--Propose collaborative engagement between GAO, SIGIR, and federal and state IG with the IGs and BSA through exchanges, workshops, and capacity development programs. Action: ACCO, OIG, SIGIR, GAO

Education

There is little public awareness of the damage corruption causes and relatively apathetic acceptance of high levels of corruption. Iraqi citizens do not like corruption but do not believe they can do anything about it. The standard curriculum for primary and secondary schools does not include an anti-corruption block. The legislation (CPA order 55) that created the COI includes an education mandate but very little has been done in this area.

Recommendations

--Urge the GOI to include an anti-corruption element in education at all levels. Action: COM, POL, ACCO, ITAO

--Assist the Ministry of Education and the COI to design an effective anti-corruption block for the standard curriculum for primary and secondary schools. Action: ACCO, USAID, ITAO

Public Diplomacy

Iraq's reputation on corruption is woeful both within Iraq and in the world at large. Transparency International ranks Iraq as one of the three most corrupt countries in the world. Corruption has been so pervasive in Iraq's public sphere for so long that many citizens believe little can be done.

Changing the public's perceptions about corruption and convincing citizens that they can do something about public corruption, will require time and an imaginative public campaign. The USG should assist the GOI in designing a public education strategy -- engaging the media and schools -- to build public awareness of the fight against corruption. U.S. public diplomacy outreach through the media, coupled with grassroots engagement by PRT staff, should target the private sector and civil society in order to build constituencies to demand public accountability and to monitor and report corrupt government officials.

Recommendations

--Assist GOI in designing a public education campaign to convey the danger that corruption poses to convince Iraqis that their activities, individually and collectively are essential to reduce corrupt practices. Action: PAS, ACCO, StratEFF

--Work with each of the GOI AC institutions to develop strategic communications plans aimed and educating the Iraqi public and gaining popular support for AC activities.
Action: ACCO, PAS, ROLC

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--Train Iraqi journalists in investigative methods and reporting on corrupt activities. Action: PAS, USAID, ACCO CROCKER